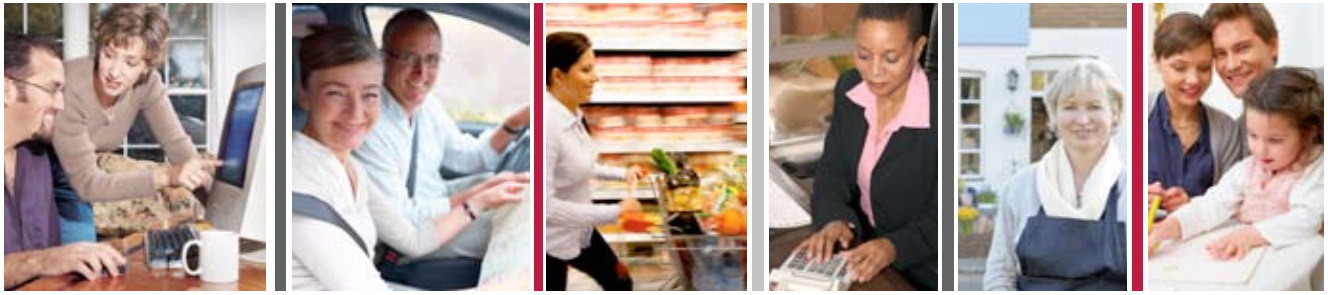


MANAGE YOUR MONEY



Lesson 3: Stop Spending Leaks



Did it take lots of time to gather the information and records used in Lesson 2?

With good records, you will have easier access to spending information for future planning.

In this lesson you will concentrate on finding spending leaks in your budget and look at what you can do about them. You will refer frequently to the Spending Log/Dollar Tracker you started in Lesson 1.

Does your paycheck always seem to run out before the end of the month? Is it possible you could be wasting \$10, \$15, \$25, or even more a month? If you said “Yes,” then it’s time for you to take a look at your spending habits and also those of others in the household.

What’s the Problem?

Reasons some people can’t seem to get ahead are:

- Impatience—You want the product now.
- Impulse buying—You see something at a store or on a shopping channel and buy even if you had not planned for the purchase.
- Using too much credit. Interest costs are high.
- Lack of self-discipline in saving money so it can work for you by earning interest.

What are your spending habits? Are any of these reasons keeping you from getting ahead? If so, you will want to work toward breaking those habits.

How do you practice self-control? Is shopping your hobby? You’ve probably heard the saying “born to shop”—Is that you? Do you think you

are a compulsive shopper? Do you get a “rush” from shopping and afterward, feel depressed? If this is the case, you may need some professional help. Or, you should try to find a substitute for the shopping. Try an active sport, an exercise class, or maybe volunteer at a nursing home or local hospital. Find something else besides shopping to make you feel good.

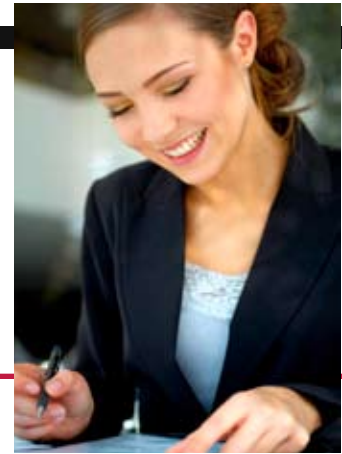
Worksheet 3-A: Spending Habits—Does Your Family ...

Yes	No	
___	___	1. Decide on needed items and plan how much can be spent BEFORE going shopping?
___	___	2. Always use a shopping list?
___	___	3. Buy only items on your list?
___	___	4. Compare price and quality before buying, especially on expensive purchases?
___	___	5. Use credit only when necessary?
___	___	6. Return poor quality or defective items to the seller?

If you have answered “NO” to any of these questions, it means that there are some spending leaks. You may be able to stop the leaks by improving your shopping habits.

Spending habits can be changed if you:

- Identify the spending leaks that give you immediate pleasure or satisfaction, but don't help you reach any of your financial goals identified in Lesson 1.
- Substitute desirable spending behaviors that will help you reach your financial goals.



Ten Spending Leak Plugs

1. Learn to recognize the “triggers” that put you in a spending situation. (You may see some examples in your Spending Log/Dollar Tracker.) Maybe you enjoy shopping at yard sales or flea markets. Perhaps, when you go to buy milk, other items in the store catch your eye. Do you eat out every Friday night? Does a coffee break mean you will buy an expensive coffee treat?
2. Learn to recognize the “triggers” in your surroundings that tempt you to buy. In stores, merchandise is often placed throughout the store in locations to attract your attention. Temptations can also be people, places, things, or even the mood you are in. Do you find yourself spending more money when you go shopping with a certain friend? Do you spend money when you are feeling “blue”? Learn to control the environment so you can shop wisely.
Here are other suggestions that might help:
 - Avoid exposing yourself to things that will tempt you to spend. Stay away from the stores except when you have something you absolutely need to buy. Avoid “just looking.” Browsing can lead to buying. Make a list and stick to it.
 - Plan your shopping. Go with a purpose in mind. Use that list! Extras you don't really need can add to the total at the cash register.
 - Limit your number of trips to the store or the mall.
 - Don't shop in a weakened condition. Shopping when you are hungry, tired, or depressed can lead to overspending.
3. Before spending money, think through the decision-making process:
 - What are your financial goals and priorities? Will this help you reach important goals?
 - Consider the alternatives. Ask yourself:
 - Can I do without?
 - Can I continue to use what I already have?
 - Can I make it for less money than buying it?
 - Can I borrow someone else's?
 - Can I substitute something less expensive?
 - Can I rent a few days instead of buying? (Example: carpet cleaner)
 - Is this a need or a want?
 - Should I buy?
 - If you decide to buy, do some comparison shopping. Comparison shopping is important when making major purchases. Even small savings can add up on repeated purchases of relatively inexpensive items such as shampoo and paper supplies. Gather reliable and accurate information.
 - Make your decision and take action. Then evaluate your decision. (Not all the choices will prove to be what you expect. Even if you later find that a purchase was a poor choice, the experience is a guiding lesson for the next time. You are gaining skills as a consumer.)

(Continued on page 3-3)

Ten Spending Leak Plugs (continued)

4. Be patient. Learn to say “NO” to:
 - Items that don’t rank high on your spending priority list.
 - Items that are too expensive for your budget. (Know your limits.)
 - The salesclerk who says it looks wonderful, when you know it really doesn’t.
 - Friends or relatives selling things. Don’t buy just because you feel obligated.
5. Use feedback. Review your spending record for patterns of behavior.
6. Establish spending guides for you and your family to follow. Use your expense records to plan your spending. Set spending limits. Don’t spend more than you plan.
7. Use the “incentive plan” to help you and your family follow the budget you have made. Perhaps you can reward yourself for following the shopping rules. If you have brown-bagged lunch four days at work, treat yourself to lunch out on Friday. Or if the family has been sticking to the budget and not spending money on unneeded items, a treat such as a night out or a trip to the zoo might just be the incentive to keep up the good habit. Just remember—don’t ruin the budget by overspending on the special treat.
8. Keep credit purchases to a minimum. Think about what credit will cost and how else you might use that money. Remember, interest charges add to the cost of anything purchased with credit.
9. Buy from reliable dealers and make choices that best meet your needs. Keep all purchase records. If a problem occurs, be sure to register a complaint. Act promptly in case a warranty time limit is involved.
10. Try to reduce waste to help save money. Excessive use (water, lights, automobile), abuse, or lack of care that leads to expensive repairs or shortens the service life of a product, or throwing away useful items are all examples of wasted money.

You can also take this information to a ledger sheet in a Home Account Book. The ledger sheet simply categorizes different spending areas. Then you have the figures to see where your money is going; this provides a way to identify those leaks. You may be able to see patterns developing. Are you making too many incidental purchases? Too many food purchases? Extra trips to the mall? Each of these—one by one—contributes to those leaks in the budget. By knowing your spending patterns, you will be in a better position to reach your financial goals.

For example, do you purchase a cup of coffee or a soft drink frequently? By eliminating the habit totally you would save \$325, as illustrated in Sample A below. How about lowering the price by considering alternatives? If you purchase a carton of cans and take a can from home each day, the cost might be only \$0.45 a day. Or, continue to buy the fountain drink, but only two or three times a week instead of every day. A coffee drinker can take a small coffee pot to work or carry a Thermos from home. Small changes over the entire year add up.

Sample A—Habit Buster

Habit	Cost per day	Number each week	Cost of habit per week	Cost per year
Beverage	\$1.25	5	\$6.25	\$325
Alternative 1	\$0.45	5	\$2.25	\$117.00 Savings = \$208.00
Alternative 2	\$1.25	3	\$3.75	\$195.00 Savings = \$130.00

If you smoke, there are reasons beyond the dollars to consider a change. For this lesson, the discussion is limited to dollars and cents as noted in Sample B below.

Sample B—Habit Buster

Habit	Cost per day	Number each week	Cost of habit per week	Cost per year
Smoking	\$4.25	7	\$29.75	\$1,547.00 Savings = \$1,547.00 if you can eliminate the habit
Alternative—cut to about half	\$2.10	7	\$14.70	\$764.40 Savings = \$782.60

Use the chart below to calculate the cost of a habit or frequent expense. Consider alternatives you are willing to do to save dollars for one of your goals.

Worksheet 3-B: Habit Buster

Habit	Cost per day	Number each week	Cost of habit per week	Cost per year
				Savings =
				Savings =
				Savings =
				Savings =
				Savings =
				Savings =

Is there another habit that could be changed so you would add a few dollars to savings for your goals? Copy Worksheet 3-C (page 3-5) so each person in the household can help with a personal commitment to reduce spending.

Be sure to set realistic goals and realistic deadlines. Do not go on indefinitely—that’s just procrastination. Develop a plan that will give you measurable results. For example, you can measure how much you have saved by not smoking a pack of cigarettes a day.

Changing a Habit

Be patient. Psychological research indicates it takes three to four weeks to break an old habit and form a new one. So don’t expect miracles to happen overnight. We have also learned through weight control research on behavior modification that it is difficult to change all old habits at once. Just target one habit you want to change and work on it until you succeed. Then move on to the next one.



Action Steps for Lesson 3

Put your plan into action. Start today with your new plan. (My Plan to Change Spending Habits is on Worksheet 3-C below.) Launch your new plan with as strong a push as possible. Make an open commitment so others in your family know you are serious about reaching this goal.

Arrange your environment to encourage your new habit. Practice it daily. Do something every day to reach your goal. Don't allow an exception to occur until the new behavior is part of your daily life and above all—don't get discouraged.

Good money management habits are a means to getting the most for your money. Look at your habits today. Stop spending leaks.

Action Steps

✓ Take Action Now

Check each step after you have completed it.

- ☐ Complete Worksheet 3-A, Spending Habits —DoesYour Family ...
- ☐ Use Worksheet 3-B to identify two (or more) habits in your spending log.
- ☐ Practice, changing at least one spending habit that will save some money.
- ☐ Complete Worksheet 3-C, My Plan to Change Spending Habits.
- ☐ Continue Spending Log/Dollar Tracker or make regular entries in Home Account Book.

Worksheet 3-C: My Plan to Change Spending Habits

My habit I want to change is: _____ .

I am most tempted to spend this money when: _____

Ways I can keep from spending this money include:

1. _____

2. _____

3. _____

Barriers (people, places, or things) that will make it difficult to change this habit are: ____

I can overcome these barriers by:

1. _____

2. _____

3. _____

Things that worked ...	Things I will try next time ...
Week 1:	Week 1:
Week 2:	Week 2:
Week 3:	Week 3:
Week 4:	Week 4:

How I did and money I saved: _____

More Information and Sources

6 Steps to Six Figure Savings. Consumer Literacy Consortium, Consumer Federation of America Primerica. Search publications at www.consumerfed.org

66 Ways to Save Money. 2007. Consumer Federation of America Federal Citizen Information Center, Money Management International, www.66ways.org

Home Account Book, 2001. Ohio State University Extension Bulletin 723. Columbus, OH: The Ohio State University.

McKinney, C. 2002. *Options for Resourceful Living*. MM-09-02. Columbus, OH, The Ohio State University.

Prochaska, J., et al. 1995. *Changing for Good*. New York: Avon Books.

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Manage Your Money is a six-part self-study course. The lessons include:

- | | |
|------------------------------|---|
| 1. Getting Started | 4. How Much Credit Can You Afford? |
| 2. Where Does Your Money Go? | 5. Develop Your Budget |
| 3. Stop Spending Leaks | 6. Your Net Worth and Financial Records |

Updated 2009 by Nancy Hudson, Extension FCS Specialist and Diane Johnson, Extension Educator based on previous versions by Eleanor Ames (1994); and Ella Mae Bard, Nancy Hudson, Diane Johnson, and Carolyn McKinney (1996).

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